ALBERTA CAPITAL FINANCE AUTHORITY 2009 Annual Report

ACFA
ALBERTA CAPITAL FINANCE AUTHORITY

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DIRECTORS

Board of Directors

Appointed

C.F. Barth
F.W. Clarke
R. Gilmour
L.R. Gordon
T. Wiles

Elected

G. Huybregts	- Representing Class B shareholders
E.A. Gibbons	- Representing Class C shareholders
T. Thain	- Representing Class D shareholders
D.O. Lussier	- Representing Class E shareholders

Audit Committee

C.F. Barth	- Chair of the Audit Committee
H.N. Johnsrude	- Member
T. Thain	- Member

Officers

L.R. Gordon	- Chair of the Board
T. Thain	- Vice-Chair
T.S. Stroich	- President and Treasurer
L. Epp	- Vice-President
J. Hui	- Corporate Secretary and Assistant Treasurer

For more information, visit our website or contact:

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ORGANIZATION

Mission

To provide local authorities within the Province with flexible funding for capital projects at the lowest possible cost, consistent with the viability of the Alberta Capital Finance Authority.

Authority

The Alberta Capital Finance Authority is a non-profit Authority established in 1956 under the authority of the *Alberta Capital Finance Authority Act*, Chapter A-14.5, Revised Statutes of Alberta 2000, as amended.

Shareholders

The authorized stock of the Authority consists of the following shares with a par value of $10 each:

- 4,500 Class A, available only to the Crown
- 1,000 Class B, available only to municipal authorities (defined as including improvement districts, metis settlements, municipal districts, counties, special areas, and specialized municipalities) and to regional authorities (includes drainage districts, irrigation districts, regional airport authorities and regional services commissions), and health authorities (includes a non-profit corporation who owns an approved hospital, a regional health authority, and provincial health board)
- 750 Class C, available only to cities
- 750 Class D, available only to towns and villages
- 500 Class E, available only to educational authorities (includes school districts and divisions, colleges, technical institutes, universities and Northland School Division)

The business of the Authority is administered by a Board of Directors. The Lieutenant Governor in Council appoints up to five directors to represent the Class A common shareholder. Each of the other four classes of shareholders elects one director to the Board.

Loans

Maximum terms of loans for various projects are prescribed in the Authority's resolution relating to the terms and conditions for lending money to shareholders.

Financing

The Authority issues various debt obligations to obtain the funds necessary to finance loan requirements. These obligations of the Authority carry the unconditional guarantee of the Province of Alberta.

CHAIR'S REPORT

March 10, 2010

It is my privilege and pleasure to present the 53rd Annual Report of the Alberta Capital Finance Authority for the year ended December 31, 2009, and to review its activities over the past year.

Over the past five years, each one of our annual reports has indicated that it has been a busy one of the Authority and 2009 is no exception. 2009 saw almost $2.0 billion in loans issued, in fact 235 loans for $1.969 billion to all shareholder classes. Loans issued were the highest ever in an environment of low interest rates for all terms from 3 to 40 years. Current estimates for loans in 2010 are over $2.1 billion. Interest rates on new loans remained fairly steady during the year, increasing from early year lows in January by about one half percent to mid June, and then retreating to rates in December which were almost identical to rates at the beginning of the year. Over the past ten years rates have been very moderate, from the high six percent in 1999 to the lows of under four and five percent these past two years.

With this significant increase in loan demand and the maturity of Canada Pension Plan Investment Fund debt and short-term borrowing in 2009, ACFA borrowing activity over the past year increased significantly. As the current long-term market and swap market remained relatively unfavourable to pursuing this type of financing, ACFA continued to borrow in the short-term market by rolling over its short-term paper, and issuing a number of three year and five year floating rate notes. ACFA will continue this strategy of issuing floating rate notes until such time as market normalizes.

Again, ACFA's goal is to continue to operate on a break-even basis while maintaining a minimum retained earning. ACFA reports income on a fair value basis which adds a significant amount of volatility to its income statement. Unrealized gains and losses are recognized in the income statement, but as ACFA holds its assets and loans to maturity, it is very unlikely that these unrealized gains and losses will ever be realized. ACFA recorded income before unrealized gains of $22.791 million versus $18.396 million and unrealized gains of $191.430 million versus losses in 2008 of $143.424 million. Of the retained earnings of $171,019 reported on the Balance Sheets, $114,277 relates to the accumulated unrealized fair value adjustments, with realized retained earnings of $56,742.

The Board has seen additional changes in 2009. Our Chair Don Lussier resigned as Chair at the end of the year as he cannot seek a further term on the Board. Don Lussier has been on the Board for eleven years as the Class E shareholder representative and I would like to thank him for his leadership and dedication to his role as Chair over the past six years.

In addition, George Huybregts was elected as the Class B shareholder representative, Fred Clarke reappointed as Class A representative in July of 2009 and Tim Wiles replaced Robert Bhatia when he assumed the role of Deputy Minister Finance and Enterprise. I would very much like to thank all of the Board members for their dedication and support of ACFA and its shareholders over the past year.

Special thanks to our staff for their efforts and dedication in providing our borrowers with outstanding service over the past year and I will endeavour to carry out the tradition of service and excellence of our former Chair.

Lawrence R. Gordon
Chair

MANAGEMENT DISCUSSION AND ANALYSIS

(all amounts are cost/contractual)

The following provides management's analysis of the financial position and results of operations of the Alberta Capital Finance Authority for the year ended December 31, 2009 on a cost/contractual basis.

Loans

During 2009, the Authority's loan portfolio increased from $6,590 million to $7,919 million, an increase of $1,329 million. New loans issued during the year totalled $1,969 million, an increase of $584 million from new loans issued in 2008 and loan repayments totalled $640 million. The Authority is forecasting that loan demand will be strong over the next few years, with increasing demands by the educational, municipal and health sectors. Included in this review is an Analysis of New Loans Issued in 2009 by Jurisdiction and Purpose, a Schedule of Loans Outstanding at December 31, 2009 and the Ten-Year Loan Review 2000-2009.

Analysis of New Loans Issued

By jurisdiction and purpose for the year ended December 31, 2009
(thousands of dollars)

	Cities	Towns	Villages	Other	Total
Sewer and water	$ 403,651	$ 16,483	$ 945	$ 29,504	$ 450,583
Transit	336,885	-	-	-	336,885
Municipal buildings	258,484	24,922	-	16,597	300,003
Parks and recreation	151,603	17,125	-	44,210	212,938
Roads and sidewalks	137,173	10,021	300	21,789	169,283
Electric, gas and telelphone	145,610	-	-	-	145,610
Landfill development	85,921	-	-	1,250	87,171
Student residences and ancillary operation	-	-	-	65,000	65,000
Equipment and machinery	53,546	1,369	-	1,675	56,590
Health	-	-	-	55,000	55,000
Airport Infrastructure	-	-	-	40,000	40,000
Public housing	16,101	7,809	-	-	23,910
Land	11,665	1,490	700	-	13,855
Senior citizen lodges	210	-	-	11,833	12,043
Total	**$ 1,600,849**	**$ 79,219**	**$ 1,945**	**$ 286,858**	**$ 1,968,871**

Schedule of Loans Outstanding
as at December 31, 2009
(thousands of dollars)

	Principal Outstanding 31-Dec-08	2-Jan-09 to 31-Dec-09 New Loans Issued	Principal Repaid	Principal Outstanding 31-Dec-09
By Jurisdiction				
Cities	$4,186,654	$1,600,849	$487,670	$5,299,833
Specialized Municipalities	344,869	46,201	14,789	376,281
Towns	343,109	79,219	31,383	390,945
Villages	10,273	1,945	1,295	10,923
Counties	155,900	51,267	14,976	192,191
Municipal Districts	17,304	17,734	1,814	33,224
Irrigation Districts & Regional Services Commissions	97,802	11,656	7,314	102,144
Regional Airport Authorities	550,868	40,000	6,156	584,712
Health Authorities	129,829	55,000	10,395	174,434
Colleges, Technical Institutes & Universities	529,541	65,000	18,508	576,033
School Districts & Divisions	224,032	-	46,079	177,953
	$6,590,181	**$1,968,871**	**$640,379**	**$7,918,673**
By Purpose				
Municipal - General	$4,453,395	$1,663,261	$352,039	$5,764,617
Municipal - Utility	684,698	145,610	200,174	630,134
ME *first!*	17,513	-	7,002	10,511
Airport Infrastructure	550,868	40,000	6,156	584,712
Health - Ancillary Operation	129,829	55,000	10,395	174,434
Student Residence, Parkade and Ancillary Operation	529,540	65,000	18,507	576,033
School - Core Operation	224,338	-	46,106	178,232
	$6,590,181	**$1,968,871**	**$640,379**	**$7,918,673**

Ten-Year Loan Review 2000-2009

(thousands of dollars)
(on a cost/contractual basis)

	2009	2008	2007
New loans issued during the year:			
By jurisdiction:			
Cities	$ 1,600,849	$ 993,947	$ 878,623
Specialized municipalities	46,201	16,538	70,009
Towns and villages	81,164	79,424	59,207
Counties, municipal and irrigation districts, and regional services commissions	80,657	43,698	54,408
Regional airport authorities	40,000	120,000	100,000
Health authorities	55,000	-	11,308
Colleges, technical institutes and universities	65,000	131,200	66,750
School districts and divisions	-	-	-
Total	**$ 1,968,871**	**$ 1,384,807**	**$ 1,240,305**
By purpose:			
Municipal	$ 1,808,871	$ 1,133,607	$ 1,048,329
ME *first!*	-	-	13,918
Airport infrastructure	40,000	120,000	100,000
Health – ancillary operation	55,000	-	11,308
Student residence, parkade and ancillary operation	65,000	131,200	66,750
School – core operation	-	-	-
Total	**$ 1,968,871**	**$ 1,384,807**	**$ 1,240,305**
Loans repaid during year	640,379	432,514	505,056
Loans outstanding at December 31	7,918,673	6,590,181	5,637,888
Loans outstanding at December 31 (*fair value*) (1)	8,347,277	7,075,010	6,009,624
New debt issued during year	6,895,208	2,624,881	1,551,905
Debt repaid during year	5,596,477	1,701,278	835,987
Debt outstanding at December 31	7,899,846	6,610,928	5,678,476
Debt outstanding at December 31 (*fair value*) (1)	8,177,483	6,924,812	5,929,014
Retained earnings (deficit) at December 31 (1)	171,019	(43,202)	81,826
Lending rate at December 31 *(based on 20-year term)*	4.395%	5.150%	4.726%

(1) Effective January 1, 2007, ACFA designated all loans and debt held for trading. Prior to 2007, loans and debt are reported at amortized cost.

2006	2005	2004	2003	2002	2001	2000
$ 619,472	$ 355,350	$ 377,445	$ 379,647	$ 255,139	$ 297,004	$ 226,820
159,519	6,794	15,115	26,830	17,742	13,133	38,741
40,338	44,219	53,569	31,122	20,211	25,657	29,726
47,806	49,656	43,542	40,056	10,489	9,449	2,815
20,000	75,000	20,000	-	370,000	-	-
99,673	37,920	19,000	-	-	-	-
60,863	82,998	71,112	19,302	91,300	17,825	66,300
-	-	7,680	-	1,260	271	5,033
$ 1,047,671	**$ 651,937**	**$ 607,463**	**$ 496,957**	**$ 766,141**	**$ 363,339**	**$ 369,435**
$ 861,369	$ 446,841	$ 484,135	$ 477,655	$ 303,581	$ 345,243	$ 298,102
5,766	9,178	5,536	-	-	-	-
20,000	75,000	20,000	-	370,000	-	-
99,673	37,920	19,000	-	-	-	-
60,863	82,998	71,112	19,302	91,300	17,825	66,300
-	-	7,680	-	1,260	271	5,033
$ 1,047,671	**$ 651,937**	**$ 607,463**	**$ 496,957**	**$ 766,141**	**$ 363,339**	**$ 369,435**
446,349	500,825	397,916	410,372	418,565	456,062	427,095
4,902,639	4,301,317	4,150,205	3,940,658	3,854,073	3,506,497	3,599,220
-	-	-	-	-	-	-
1,178,396	972,000	714,500	3,137,000	2,280,000	725,000	592,367
570,396	832,604	475,491	2,930,523	1,929,735	776,739	1,002,367
4,963,963	4,355,963	4,216,567	3,977,558	3,771,081	3,420,816	3,472,555
-	-	-	-	-	-	-
15,674	11,673	12,664	22,406	26,676	132,738	149,913
4.365%	4.569%	4.923%	5.625%	5.875%	6.000%	6.125%

Results of Operations

The Authority's interest income on loans, including income from investments exceeded interest expense on debt by $23.4 million, as the yield on the loans was slightly higher than the yield on the debt which resulted in income before unrealized gains or losses of $22.8 million. The net income after recognition of unrealized gains and losses amounts to $214.2 million.

As almost all loans, debt and derivatives are held to maturity, it is extremely unlikely that these unrealized gains will be realized, and will be settled for their contractual value with no loss or gain to ACFA. In addition, the unrealized gains on derivatives which makes up the majority of the total unrealized gain is mainly a result of ACFA not using interest rate swaps to swap fixed rate debt to a floating rate. Almost all of ACFA financing in 2009 was done with floating rate notes which requires rates to be set quarterly and therefore do not require swaps to convert fixed rates to floating. Had ACFA used interest rate swaps the unrealized gain on derivatives would have been reduced by these swaps.

The Authority's goals are to provide local authorities with flexible funding at the lowest possible cost and to maintain the lowest administrative and new loan costs compared to other municipal borrowing authorities. Included below is a comparison of the Authority's 2009 costs with the March 31, 2009 financial data of other provincial municipal borrowing authorities.

Capital Finance Authority Statistics - 2009

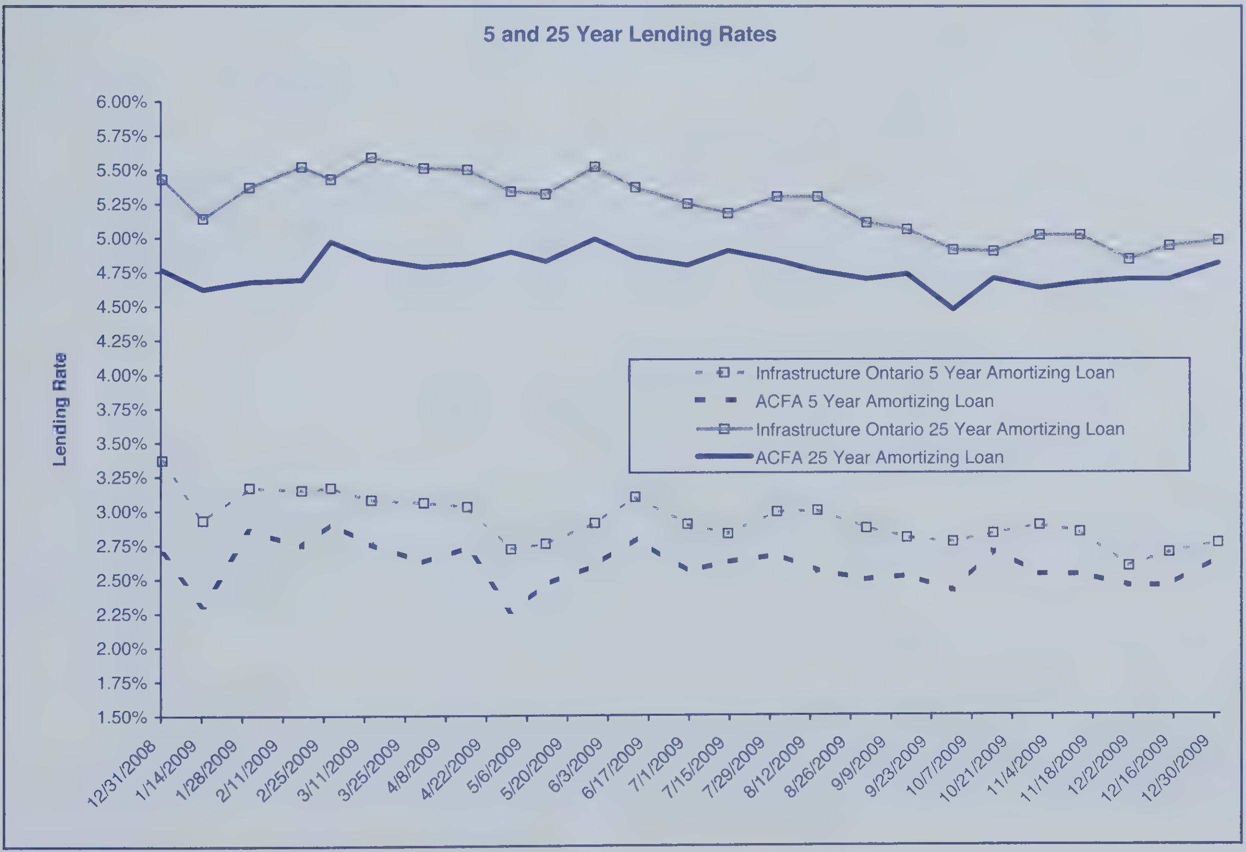
	Alberta	British Columbia	Nova Scotia
New loans to shareholders *($ millions)*	1,969	1,499	111
Total loans outstanding, net of unamortized discount *($ millions)*	7,919	4,528	710
Administrative expense			
($ thousands)	845	889	379
($ per $ thousand of new loans)	.43	.59	3.41
($ per $ million of loans)	.11	.20	.53

Interest Rates

The Authority provides fixed rate semi-annual pay amortizing loans to its borrowers. Loan rates are based on actual rates for the interest rate swaps (or other floating rate instruments) executed to convert the loan to a floating rate to match the funding floating rate in order to reduce interest rate risk to the Authority. If a fixed rate instrument is used to fund the loan, then the loan rate will be based on the actual rate of the fixed rate instrument.

Comparative Loan Spreads with Infrastructure Ontario

In order to compare the Authority's loan rates provided to those of Ontario municipal borrowers, rates of Infrastructure Ontario were reviewed and compared to the rates that the Authority would have offered. As noted below, ACFA's rates were consistently below Infrastructure Ontario's throughout the year. The spreads between ACFA's rates and those of Infrastructure Ontario's for 5 and 25 year rates at the beginning of the year was 68 and 71 basis points respectively. The spread between ACFA and Infrastructure Ontario decreased significantly over the year for both 5 and 25 year rates ending the year at 12 and 23 basis points respectively.



Debt

The debt of the Authority increased by $1,289 million net of discount and premium and short-term amortization of $10 million to $7,900 million. During the year, the Authority received $640 million in loan repayments while issuing $1,969 million in new loans. The Authority repaid $331 million to the Canada Pension Plan Investment Fund and $216 million under the Public Promissory Note Program. During the year the Authority borrowed $1,804 million in floating rate notes and $178.5 million in medium-term debt for terms from 5 to 10-years and to meet short-term requirements, borrowed over $4,909 million, of which $5,049 million was repaid during the year.

Sources of Capital
(thousands of dollars)

	Contractual Outstanding	
	2009	2008
Canada Pension Plan	$1,116,146	$1,446,669
Public	6,783,700	5,164,259
Total	$7,899,846	$6,610,928

Risk Management

Effective risk management is central to the ability to ensure a financially sound organization and includes identifying, assessing, managing and monitoring all forms of risk. The Authority is primarily exposed to:

- Market risk;
- Liquidity risk;
- Operational risk; and
- Credit risk.

The President of the Authority is responsible for identifying risks and recommending the appropriate policies and framework. The Board of Directors reviews and approves the risk management policies and implements specific reporting procedures to enable them to monitor the adherence to these policies.

Market Risk

Market risk is the impact on the Authority's income from changes in market factors such as interest rates and foreign exchange. The Authority requires that all borrowing be done in Canadian dollars or that borrowing in foreign currency be swapped into Canadian dollars. The primary source of interest rate risk is repricing risk which arises when there is a mismatch between the maturity and repricing of interest bearing assets and the maturity and repricing of interest bearing liabilities. This repricing risk also results from the Authority's willingness to allow for some prepayments on existing loans.

The prepayment policy is structured to protect the Authority from the significant losses that would occur in accepting additional prepayments of high interest rate loans and relending these funds at lower rates. The Authority, on three separate occasions, has reduced the rates on higher interest rate loans to 12%. The Authority does not have the ability to prepay or refinance its public debt and can only repay the Canada Pension Plan Investment Fund with a prepayment penalty based on current market rates which would not make it economically advantageous. The Authority's prepayment policy is an integral part of its long-term financial planning.

Interest Rate Risk

The Authority uses mainly interest rate swaps for the purpose of managing its asset and liability position. The Authority's policy is to match the interest rate exposure on all new loans to the interest rate exposure of the debt used to fund these loans. In most cases, fixed interest rates on new loans and debt are swapped to floating rates so that the floating rates paid and received incorporate changes in the market rate at approximately the same time. In 2009 because of the spreads in the debt and swap markets, ACFA did most of its borrowing with floating rate and short-term notes, reducing the need for interest rate swaps. As markets normalize in the future ACFA will return to its previous activities.

In 2009, interest rates for all terms increased until June then declined to levels similar to early 2009. Although the cost of swapping fixed rate debt to floating rate has decreased over the year, comparing these swap levels to borrowing in the floating rate market, made it advantageous to continue to borrow in this market. ACFA borrowed floating rate notes for terms three to five years.

The Board recognizes the unique risks associated with the use of derivative financial instruments and has established policies and procedures to monitor and minimize exposure to the Authority. These policies and procedures limit the type of derivative financial instruments and circumstances where they can be used, the authorities required to approve the transaction and the appropriate segregation of duties to reduce operational risk.

Liquidity Risk

Liquidity risk is the risk that the Authority will not have sufficient cash to meet its obligations as they become due and also meet the loan requirements of our local authorities.

The Authority manages its liquidity risk by monitoring its cash flows on a daily basis and providing updated cash flow reports to the Board as required. Surplus funds are invested short-term in the Consolidated Cash Investment Trust Fund. When required, the Authority raises funds under a five-year Promissory Note Program, borrowing in the Canadian or European market or by renewing borrowing from the Canada Pension Plan. All borrowing is guaranteed by the Province of Alberta.

ACFA recognizes that because of its short-term borrowing activities in 2008 and 2009, necessitated by spreads in the debt and swap market, it must extend its duration of debt by reducing its activity in the short-term and floating rate market and borrowing in the long-term market.

Operational Risk

Operational risk is the risk associated with a breakdown in internal controls, systems or procedural failures, human errors or malfeasance. These risks can never be fully eliminated but are minimized by establishing appropriate policies and sound internal controls through an appropriate segregation of duties, accountability and reporting practices.

The audit of the financial statements was made in accordance with Canadian generally accepted auditing standards and, accordingly, included a review of certain of the systems of operating and financial controls and such tests that were considered necessary in the circumstances.

The objective of a financial statement audit is to obtain reasonable assurance whether the financial statements are free of material misstatement. Accordingly, an audit would not usually identify all matters that may be of interest to management and the Audit Committee, however any weaknesses identified in internal controls over financial reporting controls, or other non-trivial matters, are communicated to management and the Audit Committee.

Credit Risk

Credit risk is the risk of loss due to a borrower or counterparty failing to meet their obligations to the Authority. Historically, the Authority has not been required to record any provisions or allowances regarding credit losses nor has it suffered any such losses. The Board has established policies which provide for the approval and monitoring of all lending activity. These policies include establishing clear lines of authority for decision making and for accountability.

Credit risk on counterparty default arises with the use of derivatives. To control this risk, the Authority uses counterparty limits established for the Province and uses only counterparties believed to have a good credit standing (A+ or greater). The Authority is not exposed to credit risk for the full face value (notional amount) of the derivative contracts, but only to the potential replacement cost if the counterparties fail. Under Credit Support Annexes entered into under the Province of Alberta's derivative master agreements, counterparties and or ACFA through the Province is obligated to provide collateral based on established thresholds which further enhances the Authority's credit position. This exposure is represented by the current replacement cost of all outstanding contracts in a favourable position. For additional information, see Note 7 in the Financial Statements.

FINANCIAL REPORTING RESPONSIBILITY OF MANAGEMENT

Management of the Alberta Capital Finance Authority prepared these financial statements and is responsible for their reliability, completeness and integrity. They conform in all material respects to Canadian generally accepted accounting principles and the requirements of the *Alberta Capital Finance Authority Act*.

Management maintains the necessary accounting and internal control systems designed to ensure the timely production of reliable and accurate financial information, the protection of assets (to a reasonable extent) against loss or unauthorized use and the promotion of operational efficiency. The Audit Committee oversees management's responsibilities for financial reporting, and internal control systems over financial reporting controls, and recommends approval of the financial statements and annual report to the Board of Directors.

The Auditor General of Alberta is designated as the external auditor in the *Alberta Capital Finance Authority Act*. The Audit Committee reviewed these financial statements with the external auditor in detail before recommending their approval to the Board of Directors. The Board then approves the financial statements.

FCA
President

Edmonton, Alberta
March 10, 2010

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholders of the
Alberta Capital Finance Authority

I have audited the balance sheets of the Alberta Capital Finance Authority as at December 31, 2009 and 2008 and the statements of net income, comprehensive income and retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Merwan N. Saher

CA
Acting Auditor General

Edmonton, Alberta
March 10, 2010

BALANCE SHEETS

as at December 31, 2009
(thousands of dollars)

	2009	2008
Assets:		
Cash (Note 4)	$ 13,438	$ 6,328
Loans to local authorities (Note 5)	8,347,277	7,075,010
Derivatives in favourable position (Note 7)	248,935	509,898
	$ 8,609,650	$ 7,591,236
Liabilities and Shareholders' Equity:		
Liabilities:		
Accounts payable	$ 672	$ 870
Debt (Note 6)	8,177,483	6,924,812
Derivatives in unfavourable position (Note 7)	260,412	708,692
	8,438,567	7,634,374
Commitments (Note 12)		
Shareholders' equity:		
Share capital (Note 9)		
Issued and fully paid:		
6,345 shares (2008 - 6,343 shares)	64	64
Retained earnings (deficit)	171,019	(43,202)
	171,083	(43,138)
	$ 8,609,650	$ 7,591,236

The accompanying notes are part of these financial statements

L.R. Gordon
Chair of the Board

T.S. Stroich, FCA
President

STATEMENTS OF NET INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS

for the year ended December 31, 2009
(thousands of dollars)

	Budget (Note 13)	2009	2008
Interest Income:			
Loans	$ 292,911	$ 189,699	$ 293,823
Amortization of loan discounts	567	-	-
Investments (Note 4)	700	660	1,807
	294,178	190,359	295,630
Interest Expense:			
Long-term debt	259,125	150,088	263,472
Short-term debt	-	15,454	13,016
Commission fees	19,950	1,405	-
Amortization of net discounts on debt	22,078	-	-
	301,153	166,947	276,488
Net interest income	(6,975)	23,412	19,142
Other Income:			
Loan prepayment fees	-	224	76
Net interest income (loss) and other income	(6,975)	23,636	19,218
Non-Interest Expense:			
Administration and office expenses (Note 10)	789	845	822
Income before unrealized gains (losses)	(7,764)	22,791	18,396
Unrealized (loss) gain on loans	-	(55,031)	113,101
Unrealized gain (loss) on debt	-	39,495	(78,437)
Unrealized gain (loss) on derivatives	-	206,966	(178,088)
Total unrealized gain (loss)	-	191,430	(143,424)
Net income (loss) and comprehensive income (loss)	(7,764)	214,221	(125,028)
Retained earnings (deficit), beginning of year	36,823	(43,202)	81,826
Retained earnings (deficit), end of year	$ 29,059	$ 171,019	$ (43,202)

STATEMENTS OF CASH FLOW

for the year ended December 31, 2009
(thousands of dollars)

	2009	2008
Operating Activities:		
Interest received	$ 185,311	$ 287,797
Investment interest	660	1,807
Loan prepayment fees	224	76
Commission fees	(1,405)	-
Administration and office expenses	(928)	(684)
Interest paid	(146,991)	(270,250)
Cash flows from operating activities	36,871	18,746
Investing Activities:		
Loan repayments	640,379	432,514
New loans issued	(1,968,871)	(1,384,807)
Cash flows used in investing activities	(1,328,492)	(952,293)
Financing Activities:		
Debt issues	6,895,208	2,624,881
Debt redemptions	(5,596,477)	(1,701,278)
Cash flows from financing activities	1,298,731	923,603
Net increase (decrease) in cash	7,110	(9,944)
Cash, beginning of year	6,328	16,272
Cash, end of year	$ 13,438	$ 6,328

1. **Authority**
   The Alberta Capital Finance Authority (ACFA) operates under the authority of the *Alberta Capital Finance Authority Act*, Chapter A-14.5, Revised Statutes of Alberta 2000, as amended. Under the Act, ACFA is restricted to making loans only to its shareholders.

2. **Accounting Policy Changes**

   a) **Credit Risk and Fair Value of Financial Assets and Financial Liabilities**
   Effective January 1, 2009, ACFA adopted Emerging Issues Committee, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* (EIC-173). This requires that ACFA's own credit risk (for financial liabilities) and the credit risk of the counterparty (for financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 was adopted retrospectively without restatement of prior years and did not have a material impact on the financial statements.

   ACFA also adopted the changes made by the Canadian Institute of Chartered Accountants (CICA) to Section 3862, *Financial instruments - disclosures* whereby an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

   Level 1 - valuation based on quoted prices in active markets for identical assets or liabilities;

   Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

   Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data.

   The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The required disclosures are provided in Note 11(d).

   Impairment of Financial Assets
   On August 20, 2009, the CICA amended Handbook Section 3855, *Financial Instruments - Recognition and Measurement*. The amendments apply to annual financial statements relating to fiscal years beginning on or after November 1, 2008 with retroactive application to the beginning of the fiscal year. ACFA adopted the amendments effective January 1, 2009.

   The definition of the "loans and receivables" financial asset category, which can be measured at cost or amortized cost calculated using the effective

interest rate method, has been modified. As a result, debt securities that are not quoted in an active market can be classified as loans and receivables, and impairment is measured using the incurred credit loss model of Section 3025, *Impaired Loans*. Loans and receivables that an entity intends to sell immediately or in the near term must be classified as held-for-trading, and loans and receivables for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, must be classified as available-for-sale.

The adoption of the amendments to Section 3855 had no impact on the financial statements.

b) Future Changes to Accounting Policies
In February 2008, the CICA's Accounting Standard Board confirmed that Canadian public companies will have to adopt International Financial Reporting Standards (IFRS) effective for the fiscal years beginning on or after January 1, 2011. ACFA was considering adopting these standards.

In October 2009, the Public Sector Accounting Standards Board (PSAB) announced that government business enterprises are required to adopt IFRS and that the definition of government business-type organizations would cease to exist. Such organizations would have a choice of adopting either IFRS or Public Sector Accounting Standards. In January 2010, PSAB issued an exposure draft that deals with *First-time Adoption of Public Sector Accounting Standards by Government Organizations* which would be effective for fiscal periods beginning on or after January 1, 2011. ACFA has determined that it does not meet the definition of a government business enterprise and currently plans to adopt the PSAB accounting standards for its fiscal year beginning January 1, 2011. The impact of the transition has not yet been determined.

3. **Significant Accounting Policies and Reporting Practices**
These financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and include the following significant accounting policies:

a) Measurement Uncertainty
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Measurement uncertainty exists in the collectability of the loans to local authorities and the estimate of fair value of financial instruments.

b) Comprehensive Income
Comprehensive income is composed of net income and other comprehensive income. Other comprehensive income may include any unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivative instruments designated as cash flow hedges. Currently ACFA has no other comprehensive income.

c) Valuation of Financial Instruments
All financial instruments which include loans and debt have been classified as held-for-trading and are measured at fair value at the settlement date.

i) Loans
The fair value of loans is calculated using future interest and principal cash flows for all loans using a discount factor curve to determine the present value of each cash flow.

The discount factor curve is calculated using the ACFA's estimated market borrowing rates as a base and adding a premium of 12 basis points to this curve. ACFA's borrowing rates are used as a base as it is assumed based on payment history and security covenants in place, that the loan portfolio has credit risk similar to that of ACFA. A premium of 12 basis points is added to these rates to reflect that financial securities with irregular payments would require a higher rate if sold in the market. The 12 basis point premium is based on historical averages and is not adjusted to reflect short-term changes in market conditions.

ii) Debt
The fair value of debt is calculated using market rates for ACFA debt based on credit spread indications for new debt issues received from ACFA's borrowing syndicate managers and are determined by taking Government of Canada bond interest rates at the close of business on the last business day of the period and adding the indicative new issue spread to these rates.

Bonds (i.e. bullets with no options with the entire principal amount paid at maturity) are valued by interpolating the yield to maturity for each individual bond from the calculated indicative borrowing rates. This yield to maturity is used to calculate the market value, including accrued interest, for each bullet bond using common bond pricing methodology.

Structured notes, including step-up notes, accrual notes and floating rate notes are valued using formulas that require a discount factor curve, which is computed from the indicative borrowing rates and inputs on option volatility as estimated in the swap market.

iii) Derivatives

ACFA has chosen not to designate its interest rate swaps as hedges. Therefore hedge accounting is not applied and derivatives are carried on the Balance Sheets at fair value and changes in fair value are recorded in income.

Fair values are determined using models based on third party valuation software which takes into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. Fair values have been segregated between those contracts which are in a favourable position (positive fair value) and those contracts which are in an unfavourable position (negative fair value) and are recorded as derivative assets and derivative liabilities respectively. Changes in the fair value of derivative instruments are recorded in income.

4. Cash

Cash is on deposit in the Consolidated Cash Investment Trust Fund (Fund) of the Province of Alberta and is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at December 31, 2009, securities held by the Fund have a time-weighted return of 1.39% per annum (December 31, 2008 - 3.53% per annum).

5. Loans to Local Authorities

Loans to Local Authorities	2009	2008
Fair value	$ 8,347,277	$ 7,075,010
Contractual principal	$ 7,918,673	$ 6,590,181
Unamortized discount	-	(567)
Accrued interest receivable	94,738	95,932
	$ 8,013,411	$ 6,685,546

The fair value of loans is calculated using future interest and principal cash flows for all loans using a discount curve to determine the present value (Note 2 c(i)). The estimated sensitivity of the fair value of loans to a change in the discount factor of one (1) basis point is $5,611 (2008 - $4,547).

Credit risk is the risk of loss due to borrowers failing to meet their obligations to ACFA. Historically, ACFA has not needed to record any provisions or allowances regarding credit losses nor has it suffered any such losses. ACFA has established policies which provide for the approval and monitoring of all lending activity. These policies include establishing clear lines of authority for decision making and for accountability.

As at and for the year ended December 31, 2009, all loans were performing in accordance with related terms and conditions and none were in arrears, nor were any loans considered impaired. Since ACFA considers that there has been no change in the credit quality of its borrowers, the change to fair value of loans is based only on the change in the market interest rate.

6. Debt

Debt (Schedule 1)	2009	2008
Fair Value	$ 8,177,483	$ 6,924,812
Contractual principal	$ 7,899,846	$ 6,610,928
Unamortized discount	(2,129)	(11,823)
Accrued interest payable	50,045	56,608
	$ 7,947,762	$ 6,655,713

The fair value of debt is calculated using market rates at the close of business on the last business day of the year and adding the indicative new issue spreads to these rates. The determination of fair value also considers the impact of a change in ACFA's credit worthiness on the fair value of its debt. ACFA's credit rating issued by the major rating agencies together with the Province of Alberta, guarantor of its debt, remains at the same level as for the previous year and therefore has no impact on its fair value of debt. The estimated sensitivity of the fair value of debt to a change of one (1) basis point in the rate used to calculate fair value is $3,644 (2008 - $3,489).

The debt of ACFA is fully guaranteed by the Province of Alberta.

Debt with a fair value of $177,879 (contractual principal - $165,000) (2008: fair value - $319,967; contractual principal - $309,259) is comprised of a combination of various issues of step-up and accrual notes whereby ACFA has the option of extending or calling the debt, at predetermined extension or call dates. In the event that ACFA exercises its option to call or not extend the debt at the predetermined extension or call dates, the debt is redeemed at the contractual principal amount with no gain or loss to ACFA. In the event ACFA does not exercise its option to call or redeem the debt at the predetermined extension or call dates, the contractual principal amount is due at the final maturity date (Schedule 1).

For the next five years contractual debt redemption requirements, with the assumption that the step-up and accrual notes are redeemed at the first extendible date and all other debt at the maturity date, are as follows:

	Debt Redemption
2010	$1,863,000
2011	994,200
2012	1,050,000
2013	300,000
2014	656,500
	$4,863,700

7. **Derivative Financial Instruments**
To minimize its interest rate risk on loans and debt issued after January 1, 2004, interest rate swaps are used to swap fixed rate interest on loans and debt to floating rate so that floating rates paid and received incorporate changes in the market rates at approximately the same time.

The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Balance Sheets. They represent the volume of outstanding transactions and do not represent the potential gain or loss associated with the market risk or credit risk of such instruments.

Interest rate swaps with a notional value of $165,000 (2008 - $309,259) related to the step-up and accrual notes have the option which allows the counterparty to extend or call the swap at predetermined extension or call dates. If the counterparty exercises their option to call or redeem the interest rate swap at the predetermined extension or call date, ACFA will in turn exercise their option to call or redeem the corresponding debt instrument and there will be no gain or loss to ACFA.

The notional amounts of interest rate swaps are summarized as follows:

As at December 31

Maturities	Within 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	Over 10 Years	Total
Interest rate swaps - 2009	$ 80,435	$ 79,627	$ 513,461	$ 2,134,207	$6,022,923	$ 8,830,653
Interest rate swaps - 2008	$ 6,478	$ 38,640	$ 284,786	$ 1,997,962	$4,874,361	$ 7,202,227

The cost of replacing the remaining cash flows of the interest rate swaps at the prevailing prices and market rates are summarized as follows:

			Current Replacement Cost	
	Notional Outstanding	Net Fair Value	Contracts in Favourable Position	Contracts in Unfavourable Position
Interest rate swaps - 2009	$ 8,830,653	$ (11,477)	$ 248,935	$ (260,412)
Interest rate swaps - 2008	$ 7,202,227	$ (198,794)	$ 509,898	$ (708,692)

The contractual amount of accrued interest receivable and payable on interest rate swaps as at December 31 are as follows:

	2009	2008
Accrued interest receivable	$ 16,078	$ 10,499
Accrued interest payable	$ 37,710	$ 12,481

The fair value of interest rate swaps has been calculated using valuation methodologies that take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. The determination of fair value also considers the impact of the counterparty's credit worthiness on the fair value of derivatives. ACFA has determined that the current credit worthiness of ACFA's counterparties has no material impact on the determination of the fair value of its derivatives. The estimated sensitivity of the fair value of derivatives in a favourable or unfavourable position to a change in the rate of one (1) basis point is $541 and $3,078 respectively.

Current credit exposure is limited to the amount of loss that ACFA would suffer if every counterparty to which ACFA was exposed were to default at once and is represented by the current replacement cost of all outstanding contracts in a favourable position. ACFA is part of the exposure limit established for the Province of Alberta and actively monitors its exposure and minimizes credit risk by only dealing with counterparties believed to have a good credit standing (A+ or greater).

Under the Province of Alberta's master agreement with counterparties, ACFA can in the event of a counterparty default, net its favourable and unfavourable positions with a counterparty doing business only with ACFA. In addition, under the agreement, one Credit Support Annex (CSA) has been signed with a counterparty which will require ACFA or the counterparty to provide collateral based on established thresholds which further enhances ACFA's credit position. As at December 31, 2009 neither ACFA nor the counterparty is required to post collateral under the CSA.

Derivative assets and liabilities are presented gross on the Balance Sheets. Although the amounts do not qualify for offset, derivative instruments in a favourable position of $203,112 at December 31, 2009 are subject to master netting arrangements which reduces ACFA's credit exposure by an equivalent amount.

8. Capital Management

ACFA is an agent of the Province of Alberta and a crown corporation whose debt is fully guaranteed by the Province of Alberta which provides ACFA access to capital markets to obtain low cost debt financing.

The business of ACFA is to provide its shareholders with flexible financing for capital projects and to manage its assets and liabilities and business affairs in such a manner so as to enhance its ability to effectively carry out its activities in an economical and effective manner.

ACFA's objective when managing capital, designated as retained earnings, is to safeguard its ability to continue as a going concern, to continue to benefit its shareholders by providing loans at the lowest possible cost and operate on a breakeven basis while maintaining positive retained earnings before adjustments for fair value. Capital management objective, policies and procedures are unchanged since the preceding year.

As almost all loans, debt and interest rate swaps are held to maturity or to the earliest call date and operate in accordance with the terms of the contract, no gains or losses will be realized over the life of the instrument. As such, ACFA's retained earnings of $171,019 at December 31, 2009 (2008 - ($43,202)), includes retained earnings of $56,742 (2008 - $33,265) determined before the effect of the accumulated unrealized fair value adjustments, and retained earnings of $114,277 (2008 - ($76,467)), related to accumulated unrealized fair value adjustments.

9. Share Capital

Particulars of share capital valued at $10.00 per share with voting rights, established in legislation, which relate only to the election of a director representing the shareholders are as follows:

			Number of Shares		
Class	Restricted to		Authorized	Issued and Fully Paid	Total Dollar Amount
A	Province of Alberta		4,500	4,500	$45,000
B	Municipal authorities, airport and health authorities		1,000	883	8,830
C	Cities		750	585	5,850
D	Towns and villages		750	294	2,940
E	Educational authorities		500	83	830
		2009	7,500	6,345	$63,450
		2008	7,500	6,343	$63,450

During the year, three Class B shares were issued and one Class D share was cancelled.

10. Directors' and Audit Committee Fees and Related Party Transactions

Directors' and Audit Committee fees paid by ACFA are as follows:

	2009		2008	
	Number of Individuals	Total	Number of Individuals	Total
Board/Audit Committee Chairs	2	$ 11	2	$ 9
Board/Audit Committee members	8	$ 26	8	$ 23

There are two additional Board members who are employees of the Province of Alberta and do not receive compensation from ACFA.

ACFA has advanced loans to local authorities under the ME *first*! Municipal Energy Efficiency Assistance Program (the "Program") on behalf of Alberta Municipal Affairs and Alberta Environment. Under the Program, principal was advanced to qualifying municipalities by ACFA and repayments of principal are made by the municipality; however, the interest is paid by the Province of Alberta. The Program has been discontinued but the loans will continue until they are paid out. Included in the balance of loans to local authorities at December 31, 2009 is principal of $10,511 (2008 - $17,513), upon which, interest of $560 (2008 - $831) has been recorded in interest income from loans.

ACFA has no employees. Included in administration and office expenses of $845 (2008 - $822) is the amount of $488 (2008 - $440) that was paid to the controlling shareholder, the Province of Alberta for services at prices measured at the exchange amount, which approximate market.

11. Financial Risk Management

In accordance with ACFA's Derivative Policy, ACFA manages its interest rate risk by matching its debt maturity profile to the forecast cash flows and their effect on ACFA's equity. For most loans made after January 1, 2004, ACFA uses interest rate swaps to swap fixed rate loan interest to floating, and swaps corresponding debt from fixed rate to floating and uses forward rate agreements to minimize the exposure related to the mismatch of reset dates of the loan and debt swaps.

ACFA's management is responsible for monitoring performance and reporting to the Board of Directors and recommending changes to the Derivative Policy. The Board of Directors is responsible for governance and strategic direction through its annual review and approval of the policy.

a) Credit Risk
Credit risk is related to the possibility that the borrower or the counterparty to a financial instrument cannot fulfill its contractual obligation to ACFA.

Credit risk from borrowers is fully explained in Note 5 and ACFA does not believe that it has any credit exposure on loans.

Credit exposure with derivative counterparties is further explained in Note 7.

b) Interest Rate Risk
Interest rate risk refers to the potential impact of changes in interest rates on ACFA's earnings when maturities of its interest rate sensitive assets are not matched with the maturities of its interest rate sensitive debt. The following table summarizes the contractual principal amounts of ACFA's interest sensitive assets and liabilities, with the assumption that the step-up and accrual notes are redeemed at the first extendible date and all other debt at the maturity date, based on the earlier of repricing or principal repayments:

As at December 31

Maturities	Within 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	Over 10 Years	2009 Total	2008 Total
Assets							
Cash	$ 13,438	$ -	$ -	$ -	$ -	$ 13,438	$ 6,328
Accrued Interest Receivable	110,839					110,839	106,451
Loans to Local Authorities	499,274	490,769	1,658,378	1,987,146	3,283,106	7,918,673	6,590,181
Effective Rate	5.2%	5.1%	5.1%	5.1%	5.3%	5.2%	5.4%
Total	623,551	490,769	1,658,378	1,987,146	3,283,106	8,042,950	6,702,960
Liabilities							
Accrued Interest Payable	$ 87,755	$ -	$ -	$ -	$ -	$ 87,755	$ 69,089
Debt	3,667,200	290,000	906,500	1,600,000	1,436,146	7,899,846	6,610,928
Effective Rate	4.3%	5.1%	5.1%	5.3%	5.5%	5.1%	5.3%
Total	3,754,955	290,000	906,500	1,600,000	1,436,146	7,987,601	6,680,017
Cumulative Gap 2009	$ (3,131,404)	$ 200,769	$ 751,878	$ 387,146	$1,846,960	$ 55,349	$ 22,943
Cumulative Gap 2008	$ (1,663,256)	$ 244,570	$ 206,957	$ 90,659	$1,144,013	$ 22,943	$ 13,259

(i) Includes $704,200, $550,000 and $550,000 of floating rate notes with interest rates of Canadian Deposit Offered Rate (CDOR) + 2 basis points and CDOR + 32 and 39 basis points respectively.

Interest rate swaps of pay fixed/receive floating and receive fixed/pay floating in the notional amounts of $6,115,703 and $2,714,950 respectively (2008 - $4,500,448 and $2,701,779 respectively) have not been included in the above table.

The interest rate sensitivity analysis below has been determined based on the exposure to interest rate fluctuations for both interest rate sensitive assets and liabilities at the Balance Sheets date. Interest rate sensitive assets at December 31, 2009 consist of cash on hand, accrued interest receivable and loans which have been swapped from fixed to floating. Interest rate sensitive liabilities at December 31, 2009 consists of accrued interest payable, debt which has been swapped from fixed to floating, debt due within one year and floating rate debt.

The potential impact of an immediate and sustained increase of a 50 basis points in interest rates with all other variables held constant throughout the year would have the following impact on interest income and interest expense from interest rate sensitive assets and liabilities respectively:

		2009		2008
Assets	$6,317,668 X .5% =	$ 31,588	$4,771,678 X .5% =	$ 23,858
Liabilities	$6,055,906 X .5% =	30,279	$4,775,261 X .5% =	23,876
Net interest income (loss)		$ 1,309		$ (18)

c) Liquidity Risk

Liquidity risk is the risk that ACFA will not have sufficient cash to meet its obligations as they become due and also meet the loan requirements of our local authorities.

ACFA manages its liquidity risk by monitoring its cash flows on a daily basis. Surplus funds are invested in short-term investments or the Consolidated Cash Investment Trust Fund. When required, ACFA raises funds under a five-year Promissory Note Program, by direct borrowing in the Canadian or European market or by renewing borrowing from the Canada Pension Plan Investment Board. The maturities of ACFA's contractual cash flows from financial liabilities at December 31, 2009 are as follows:

Financial liabilities		2010	2011	2012	2013 and Beyond
Accounts payable		$ 672	$ -	$ -	$ -
Debt - contractual repayments of principal	(1)	1,738,000	954,200	1,050,000	4,157,646
Debt - contractual payments of interest		259,571	208,404	195,035	1,296,002
Derivatives in unfavourable position - pay fixed, receive floating interest rate swaps		230,313	220,823	215,882	1,981,319
Commitments		27,078	54	54	27
Total		$ 2,255,634	$ 1,383,481	$ 1,460,971	$ 7,434,994

Although disclosure is only required of the liquidity analysis for all financial liabilities, management has determined that the following liquidity analysis of financial assets is necessary to evaluate the nature and extent of the liquidity risk:

Financial assets		2010	2011	2012	2013 and Beyond
Loans to local authorities - contractual collection of principal	(2)	$ 499,274	$ 490,768	$ 547,618	$ 6,381,013
Loans to local authorities - contractual collection of interest	(2)	396,319	367,316	340,948	2,684,704
Derivatives in favourable position - receive fixed, pay floating interest rate swaps	(2)	103,026	102,985	101,174	1,055,004
Total		$ 998,619	$ 961,069	$ 989,740	$ 10,120,721

(1) Cash flows for debt contractual repayment of principal are determined with the assumption that the step-up and accrual notes will not be redeemed until maturity.

(2) The amounts presented represent the contractual collection of principal and interest and assume no credit default on behalf of the counterparty nor the local authorities.

Where the amount of interest payable is not fixed, as is the case for issued debt that has a variable interest rate or the floating leg of an interest rate swap, the amounts included in the above table have been determined by reference to the conditions existing at the Balance Sheets date.

The interest and principal payments as well as other payments for derivative financial instruments are relevant for the presentation of the maturities of the cash flow. Future cash flows are not discounted.

d) Fair Value Hierarchy

Financial instruments recorded at fair value on the Balance Sheets are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the Balance Sheets, classified using the fair value hierarchy described above:

	Level 1	Level 2	Level 3	Total financial assets and financial liabilities at fair value
Financial assets				
Cash	$ 13,438	$ -	$ -	$ 13,438
Loans to local authorities	-	8,347,277	-	8,347,277
Derivatives in favourable position	-	248,935	-	248,935
Total financial assets	$ 13,438	$ 8,596,212	$ -	$ 8,609,650
Financial liabilities				
Debt	$ -	$ 8,177,483	$ -	$ 8,177,483
Derivatives in unfavourable position	-	260,412	-	260,412
Total financial liabilities	$ -	$ 8,437,895	$ -	$ 8,437,895

During the year, there has been no significant transfer of amounts between Level 1 and Level 2.

12. Commitments

a) Lease

ACFA has obligations under an operating lease for the rental of premises, expiring in July 2013 at an annual minimum as follows:

2010 – $53
2011 – $54
2012 – $54
2013 – $27

b) Loan

In the normal course of business, ACFA enters into loan commitments to provide customers with sources of credit.

Commitments to extend credit represent undertakings to make credit available in the form of loans for specific amounts and maturities, subject to certain conditions and are recently authorized loans not yet drawn down.

These loan arrangements are subject to ACFA's normal credit standards and collateral is obtained where appropriate. The loan amounts represent the maximum credit risk exposure to ACFA should the loans be fully drawn. The loan commitments represent future cash requirements and as at December 31 were:

	2009	2008
Loan commitments as at December 31	$ 27,025	$ 13,796

13. Budget

The 2009 budget was approved by the Board of Directors on November 27, 2008 and is unaudited. For purposes of budget preparation, financial instruments are reflected at amortized cost and fair values are not included.

SCHEDULE OF DEBT

as of December 31, 2009
(thousands of dollars)

Schedule 1

Maturity Date	First Extendible Date	Interest Rate	Contractual Principal Outstanding	Fair Value	
Canada Pension Plan Investment Fund/ CPP Investment Board					
Oct 01, 2020		6.2800	$ 222,367	$ 261,518	
Jun 01, 2022		6.0600	100,000	114,852	
Apr 05, 2023		5.8900	50,000	57,006	
Dec 01, 2023		5.5000	150,000	163,389	
Dec 03, 2024		5.1800	78,000	81,846	
Nov 03, 2026		4.4900	200,000	194,377	
Nov 03, 2031		4.5000	125,396	120,267	
Nov 02, 2032		4.8300	190,383	191,075	
Total			1,116,146	1,184,330	
Public					
Jan 05, 2010		0.2310	100,000	99,996	
Jan 06, 2010		0.2300	100,000	99,995	
Jan 08, 2010		0.2300	125,000	124,993	
Jan 12, 2010		0.2399	80,000	79,993	
Jan 20, 2010		0.3295	50,000	49,992	
Jan 28, 2010		1.1660	60,000	59,989	
Feb 05, 2010		0.2410	100,000	99,972	
Feb 09, 2010		0.3790	75,000	74,977	
Feb 11, 2010		0.2400	100,000	99,968	
Feb 16, 2010		0.2400	50,000	49,982	
Feb 18, 2010		0.2430	78,000	77,970	
Feb 24, 2010		0.3190	80,000	79,966	
Mar 09, 2010		0.6460	50,000	49,974	
Apr 21, 2010		0.5371	100,000	99,904	
Apr 26, 2010		0.2940	95,000	94,901	
May 05, 2010		0.3390	50,000	49,942	
May 25, 2010		0.3190	90,000	89,864	
Jun 07, 2010		0.6950	50,000	49,912	
Jun 07, 2010		0.6980	30,000	29,948	
Aug 05, 2010		0.7050	75,000	74,773	
Mar 01, 2010		4.5500	50,000	51,120	
Aug 20, 2010		4.5000	150,000	156,407	
Sep 01, 2011		5.7000	200,000	218,592	
Dec 08, 2011		0.4643	704,200	700,523	(iii)
Dec 15, 2011		4.4350	50,000	52,984	
Jun 01, 2012		5.8500	500,000	549,942	
Jun 15, 2012		0.7643	550,000	551,387	(iii)

Maturity Date	First Extendible Date	Interest Rate	Contractual Principal Outstanding	Fair Value	
Dec 02, 2013		5.0000	300,000	327,016	
Jul 02, 2014		3.0940	106,500	107,405	
Jul 02 2014		0.8343	550,000	554,676	(iii)
Nov 19, 2014	Nov 19, 2011	2.0000	17,000	16,818	(i)
Jun 01, 2015		4.9000	200,000	217,341	
Sep 15, 2015	Sep 15, 2011	2.2500	13,000	12,786	(i)
Jun 15, 2016		4.3500	600,000	629,990	
Oct 28, 2016	Oct 28, 2010	2.7500	10,000	9,821	(i)
Jun 15, 2017		4.6500	700,000	741,503	
Jun 01, 2018		5.1500	100,000	108,764	
Oct 21, 2019	Oct 21, 2010	2.8000	12,000	11,284	(i)
Oct 28, 2019	Oct 28, 2010	2.8500	10,000	9,395	(i)
Dec 22, 2019	Dec 22, 2011	3.0500	10,000	9,417	(i)
Apr 18, 2022	Apr 18, 2010	5.0000	12,000	13,240	(ii)
Dec 01, 2023		5.1000	20,000	20,966	
Jun 15, 2025	Jun 15, 2010	5.1500	20,000	24,116	(ii)
Jul 06, 2025	Jan 06, 2010	5.0200	16,000	18,874	(ii)
Dec 15, 2025		4.4500	300,000	289,647	
Oct 11, 2030	Oct 11, 2010	5.1600	15,000	16,900	(ii)
Dec 15, 2030	Jun 15, 2010	5.1600	10,000	11,467	(ii)
Dec 15, 2030	Dec 15, 2010	5.4100	10,000	11,896	(ii)
Dec 15, 2030	Jun 15, 2010	5.4000	10,000	11,865	(ii)
Total			6,783,700	6,993,153	
Total debt 2009			$ 7,899,846	$ 8,177,483	
Total debt 2008			$ 6,610,928	$ 6,924,812	

(i) These are step-up notes extendible at the ACFA's option which pay interest periodically at a predetermined rate with principal paid on termination.

(ii) These are accrual notes extendible or callable at the ACFA's option which accrue interest compounded semi-annually or annually, and pay interest and principal on termination.

(iii) These are floating rate notes which pay interest quarterly at Canadian Deposit Offered Rate plus predetermined spreads with principal paid on termination.